

TOWNSHIP OF CUMMING
OGEMAW COUNTY, MICHIGAN
FINANCIAL STATEMENTS
MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CUMMING TOWNSHIP	County OGE MAW
Audit Date 3/31/04	Opinion Date 7/27/04	Date Accountant Report Submitted to State: 9/7/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER, CPAs, LLP			
Street Address 103 E MAIN STREET, PO BOX 69		City ROSE CITY	State MI
Accountant Signature <i>Robertson & Carpenter, CPAs, LLP</i>		ZIP 48654	Date 9/7/04

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS:	
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS	3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES	5
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND	6
STATEMENT OF CHANGES IN PENSION PLAN NET ASSETS	7
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	8
NOTES TO FINANCIAL STATEMENTS	9-18
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:	
SPECIAL REVENUE FUNDS:	
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS	19
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ROAD FUND	21
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FIRE PROTECTION FUND	22
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LIQUOR LAW ENFORCEMENT FUND	23
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TRANSFER/RECYCLE CENTER FUND	24
TRUST AND AGENCY FUND:	
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CURRENT TAX FUND	25
GENERAL FUND:	
GENERAL FUND - DETAIL OF EXPENDITURES - BUDGET AND ACTUAL	26
APPENDIX	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	27-28



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INDEPENDENT AUDITOR'S REPORT

July 27, 2004

Township Board
Cumming Township
Ogemaw County, Michigan

We have audited the accompanying general purpose financial statements of Cumming Township, Ogemaw County, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Cumming Township, Ogemaw County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township Board
Cumming Township
Ogemaw County, Michigan

In accordance with *Government Auditing Standards*, we have also issued a report dated July 27, 2004 on our consideration of Cumming Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Robertson & Carpenter, LLP, CPAs

CUMMING TOWNSHIP
GENERAL PURPOSE FINANCIAL STATEMENTS

CUMMING TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPE</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>
ASSETS:			
Cash	\$ 206,728	\$ 198,982	\$ 14,040
Investments	-	-	-
Receivables:			
Accounts	-	-	6,000
Taxes	20	103	-
Due from other governments	5,464	36,711	8,801
Due from other funds	261	-	-
Due from State of Michigan	7,704	-	-
Special assessments	-	-	102,339
Land	-	-	-
Transfer station	-	-	-
Building	-	-	-
Equipment	-	-	-
Sewer system	-	-	403,592
Accumulated depreciation	-	-	(43,798)
Total assets	\$ <u>220,177</u>	\$ <u>235,796</u>	\$ <u>490,974</u>
LIABILITIES AND FUND EQUITY:			
LIABILITIES:			
Accounts payable	\$ 4,465	\$ 2,538	\$ 5,859
Due to other funds	-	148	-
Bonds payable	-	-	105,725
Total liabilities	<u>4,465</u>	<u>2,686</u>	<u>111,584</u>
FUND EQUITY:			
Investment in general fixed assets	-	-	-
Contributed capital - Federal	-	-	200,846
Contributed capital - Local	-	-	185,747
Reserved for retirement benefits	-	-	-
Fund Equity:			
Retained earnings (deficit)			
Unreserved	-	-	(7,203)
Fund Balance:			
Unreserved	215,712	233,110	-
Total fund equity	<u>215,712</u>	<u>233,110</u>	<u>379,390</u>
Total liabilities and fund equity	\$ <u>220,177</u>	\$ <u>235,796</u>	\$ <u>490,974</u>

See accompanying notes

FIDUCIARY FUND TYPES		ACCOUNT GROUP	TOTAL
CURRENT TAX	PENSION TRUST	GENERAL FIXED ASSETS	(MEMORANDUM) ONLY)
\$ 113	\$ -	\$ -	\$ 419,863
-	50,078	-	50,078
-	-	-	6,000
-	-	-	123
-	-	-	50,976
-	-	-	261
-	-	-	7,704
-	-	-	102,339
-	-	14,000	14,000
-	-	224,384	224,384
-	-	132,221	132,221
-	-	59,379	59,379
-	-	-	403,592
-	-	-	(43,798)
<u>\$ 113</u>	<u>\$ 50,078</u>	<u>\$ 429,984</u>	<u>\$ 1,427,122</u>
\$ -	\$ -	\$ -	\$ 12,862
113	-	-	261
-	-	-	105,725
<u>113</u>	<u>-</u>	<u>-</u>	<u>118,848</u>
-	-	429,984	429,984
-	-	-	200,846
-	-	-	185,747
-	50,078	-	50,078
-	-	-	(7,203)
-	-	-	448,822
-	50,078	429,984	1,308,274
<u>\$ 113</u>	<u>\$ 50,078</u>	<u>\$ 429,984</u>	<u>\$ 1,427,122</u>

CUMMING TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		TOTAL (MEMORANDUM ONLY)
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	
REVENUES:			
Taxes	\$ 25,246	\$ 150,875	\$ 176,121
State grants	60,554	787	61,341
Charges for services	-	7,683	7,683
Interest earnings	1,802	2,064	3,866
Rents	5,675	-	5,675
Other	1,003	-	1,003
Total revenues	<u>94,280</u>	<u>161,409</u>	<u>255,689</u>
EXPENDITURES:			
Current:			
Legislative	15,945	-	15,945
General government	44,695	-	44,695
Public safety	-	28,618	28,618
Public works	3,717	138,365	142,082
Culture and recreation	1,020	-	1,020
Capital outlay	6,432	-	6,432
Total expenditures	<u>71,809</u>	<u>166,983</u>	<u>238,792</u>
Excess (deficiency) of revenues over expenditures	22,471	(5,574)	16,897
OTHER FINANCING SOURCES (USES)			
Operating transfers in	15,000	-	15,000
Operating transfers (out)	(5,000)	(15,000)	(20,000)
Total other sources (uses)	<u>10,000</u>	<u>(15,000)</u>	<u>(5,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	32,471	(20,574)	11,897
FUND BALANCES - APRIL 1	<u>183,241</u>	<u>253,684</u>	<u>436,925</u>
FUND BALANCES - MARCH 31	\$ <u><u>215,712</u></u>	\$ <u><u>233,110</u></u>	\$ <u><u>448,822</u></u>

See accompanying notes

CUMMING TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 27,061	\$ 25,246	\$ (1,815)
Special assessments			-
State grants	59,500	60,554	1,054
Charges for services			-
Interest earnings	1,560	1,802	242
Rents	5,570	5,675	105
Other	50	1,003	953
Total revenues	<u>93,741</u>	<u>94,280</u>	<u>539</u>
EXPENDITURES:			
Current:			
Legislative	15,000	15,945	(945)
General government	68,100	44,695	23,405
Public safety	-	-	-
Public works	4,500	3,717	783
Culture and recreation	1,000	1,020	(20)
Capital outlay	10,000	6,432	3,568
Total expenditures	<u>98,600</u>	<u>71,809</u>	<u>26,791</u>
Excess (deficiency) of revenues over expenditures	(4,859)	22,471	27,330
OTHER FINANCING SOURCES (USES)			
Operating transfers in	15,000	15,000	-
Operating transfers (out)	(10,000)	(5,000)	5,000
Total other sources (uses)	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	141	32,471	32,330
FUND BALANCES - APRIL 1	<u>177,538</u>	<u>183,241</u>	<u>5,703</u>
FUND BALANCES - MARCH 31	\$ <u><u>177,679</u></u>	\$ <u><u>215,712</u></u>	\$ <u><u>38,033</u></u>

See accompanying notes

SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 154,850	\$ 150,875	\$ (3,975)
-	-	-
807	787	(20)
7,000	7,683	683
825	2,064	1,239
-	-	-
1,625	-	(1,625)
<u>165,107</u>	<u>161,409</u>	<u>(3,698)</u>
-	-	-
-	-	-
30,625	28,618	2,007
142,525	138,365	4,160
-	-	-
-	-	-
<u>173,150</u>	<u>166,983</u>	<u>6,167</u>
(8,043)	(5,574)	2,469
-	-	-
(15,000)	(15,000)	-
<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
(23,043)	(20,574)	2,469
<u>229,154</u>	<u>253,684</u>	<u>24,530</u>
\$ <u><u>206,111</u></u>	\$ <u><u>233,110</u></u>	\$ <u><u>26,999</u></u>

CUMMING TOWNSHIP
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
PROPRIETARY FUND
YEARS ENDED MARCH 31, 2004 (AUDITED) AND 2003 (UNAUDITED)

PROPRIETARY FUND TYPE - ENTERPRISE			
MARCH 31, 2004 (AUDITED)			
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
OPERATING REVENUES			
Charges for services	\$ 13,000	\$ 14,263	\$ 1,263
Total operating revenues	13,000	14,263	1,263
OPERATING EXPENSES			
Contractual services - legal	5,000	-	5,000
Contractual services	13,000	13,898	(898)
Utilities	750	1,122	(372)
Depreciation	-	8,072	(8,072)
Other	43	57	(14)
Total operating expenses	18,793	23,149	(4,356)
OPERATING INCOME (DEFICIT)	(5,793)	(8,886)	(3,093)
NONOPERATING REVENUES(EXPENSES)			
Transfer from General Fund	10,000	5,000	(5,000)
Interest earnings	100	6,136	6,036
Interest expense	(5,851)	(4,983)	868
TOTAL NONOPERATING INCOME (EXPENSES)	4,249	6,153	1,904
NET INCOME (LOSS)	(1,544)	(2,733)	(1,189)
AMORTIZATION OF CONTRIBUTED CAPITAL-GRANTS	-	4,500	4,500
RETAINED EARNINGS - April 1	16,562	(8,970)	(25,532)
RETAINED EARNINGS - March 31	\$ 15,018	\$ (7,203)	\$ (22,221)

See accompanying notes

SEWER ONLY
MARCH 31,
2003
ACTUAL
(UNAUDITED)

\$ 13,480

13,480

8,059

13,320

1,157

8,072

43

30,651

(17,171)

10,000

6,659

(5,537)

11,122

(6,049)

4,500

(7,421)

\$ (8,970)

CUMMING TOWNSHIP
STATEMENT OF CHANGES IN
PENSION PLAN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

ADDITIONS	
Contributions	\$ <u>6,062</u>
Total Contributions	<u>6,062</u>
INVESTMENT INCOME	
Interest	<u>1,977</u>
TOTAL ADDITIONS	<u>8,039</u>
DEDUCTIONS	
Refund of Contributions	7,807
Administrative Expense	<u>262</u>
Total Deductions	<u>8,069</u>
Net Increase	(30)
Net Assets Held in Trust for Pension Benefits -	
April 1, 2003	<u>50,108</u>
March 31, 2004	\$ <u><u>50,078</u></u>

See accompanying notes

CUMMING TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income (loss)	\$ (8,886)
Adjustments to reconcile net income to net cash provided by operation activity:	
Depreciation	8,072
(Increase) decrease in accounts receivable	(699)
(Increase) decrease in due from other governments	(2,846)
Increase (decrease) in accounts payable	(336)
Net cash provided by operating activities	<u>(4,695)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributed capital - grants and user fees	12,873
Construction of capital assets	
Principal paid on FmHA Bonds	(10,000)
Interest paid on FmHA Bonds	(4,983)
Net cash (used for) capital and related financing activities	<u>(2,110)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earnings	6,136
Net cash provided by investing activities	<u>6,136</u>

Cash - April 1, 2003	<u>14,709</u>
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Cash - March 31, 2004	\$ <u><u>14,040</u></u>
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See accompanying notes

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cumming Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Cumming Township.

A. REPORTING ENTITY

Cumming Township is governed by an elected five-member board. As required by GAAP, these financial statements present Cumming Township and its component units. In evaluating how to define Cumming Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."*

In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

JOINT VENTURE - FIRE PROTECTION

The Township is a participant in a joint venture Rose City Area Fire Board with the Townships of Klacking and Rose and the City of Rose City for the purpose of providing fire protection services to the residents of these governmental units. The Board consists of one representative from each government.

Cumming Township's financial support of the Rose City Area Fire Board is determined on a ratio of Cumming Township's taxable valuation compared to the total taxable valuation of all units, with the City of Rose City using a factor of 110% of taxable valuation due to location of the department. The Township's percentage for the year ended December 31, 2002 was 24.6%. The Township's share of the 2002 budget was \$25,567.

The following financial information of the Rose City Area Fire Board as of December 31, 2002 is available at the Township office:

Total Assets	\$	74,558
Total Liabilities		3,495
Total Equity		71,063
Total Revenues		94,728
Total Expenditures		68,928
Increase in Fund Balance		25,800

A copy of the financial statements may be obtained from the Township Clerk at 751 Morrison Road, West Branch, Michigan.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of Cumming Township are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State aid, and charges for services to provide for the administration and operation of the general Township governmental departments. The fund includes the general operating expenditures of the Cumming Township.

Special Revenue Funds - These funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) generally derived from State and Federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements. These funds include the Road Fund, Fire Protection Fund, Liquor Law Enforcement Fund and Transfer/Recycle Station Fund.

PROPRIETARY FUNDS

Enterprise Fund - This fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds - These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This category includes the Pension Trust Fund and Agency Fund (Current Tax Collection Fund).

ACCOUNT GROUPS

General Fixed Asset Account Group - This account group presents the fixed assets of the local unit utilized in its general operations, other than those fixed assets recorded in proprietary funds. The Township share of fixed assets owned by the Joint venture are not included, since the Rose City Area Fire Board does not maintain general fixed asset records.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General and Special Revenue Funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The agency funds also use the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable.

The proprietary fund type (Enterprise) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Pension Trust Fund also use the accrual basis of accounting.

Cumming Township applies all GASB pronouncements when required as well as FASB pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Property Taxes

Cumming Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Cumming Township as of the preceding December 31st. Collection dates are December 1st through February 14th, after which the taxes are deemed to be delinquent. Taxes are recorded as revenue when they become available and measurable.

The 2003 taxable valuation of Cumming Township totaled \$23,183,252, on which ad valorem taxes levied consisted of .8072 mills for Cumming Township operating purposes, 2.7448 mills for the Road Fund, 2.0038 mills for the Fire Fund and 1.7307 mills for the Transfer/Recycle Fund. These amounts are recognized in the respective General and Special Revenue Fund financial statements as revenue.

Taxes Receivable-Delinquent

Ogemaw County operates a tax revolving fund whereby the County purchases the delinquent real taxes from the Township. Since the amount is readily measurable it has been recognized as revenue for the year ended March 31, 2004. The amount due from the County at March 31, 2004, was:

General Fund	\$	5,464
Road Fund		15,552
Fire Fund		11,353
Transfer/Recycle Fund		9,806
Total	\$	<u>42,175</u>

Total Column on Combined Statements- Overview

The total column on the combined Statements - Overview is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 2 - LEGAL COMPLIANCE

Budget Information

The annual budget is prepared by Cumming Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The annual operating budget has generally been prepared in accordance with generally accepted accounting principles.

Unexpended appropriations lapse at year-end. During the current year, the budget was not amended.

The approved budgets were adopted to the activity level for the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Cumming Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of Cumming Township for these budgeted funds were adopted to the activity level.

During the year, Cumming Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND AND ACTIVITY</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund:			
Township Board	\$ 15,000	\$ 15,945	\$ 945
Cultural & Recreation	1,000	1,020	20

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cumming Township's deposits are presented on the balance sheet under the following categories:

Cash and Cash Equivalents	\$ 419,863
Total	<u><u>\$ 419,863</u></u>

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

The only investments are in the Pension Trust Fund. These investments do not allow for risk categorization.

The above amounts are classified by GASB Statement No. 3 in the following categories:

Bank Deposits (Checking Accounts and Savings Accounts)	\$ 252,048
Certificate of Deposit	167,815
Total	<u>\$ 419,863</u>

Michigan Compiled Laws, Section 129.91 authorizes the Township to deposit and invest in accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Cumming Township Board has designated three banks for deposit of Cumming Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township of Cumming's deposits and investments are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for cash deposits are as follows:

	<u>CARRYING</u> <u>AMOUNTS</u>
Total Deposits	\$ <u>420,114</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

<u>DEPOSITS</u>		<u>BALANCES</u>
Insured (FDIC)	\$	251,105
Uninsured and Uncollateralized		169,009
Total	\$	<u>420,114</u>

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 - FIXED ASSETS

Changes in general fixed assets were as follows:

	Balance April 1, 2003	Additions	Disposals	Balance March 31, 2004
Land	\$ 14,000	\$ -	\$ -	\$ 14,000
Transfer station	224,384	-	-	224,384
Building	125,789	6,432	-	132,221
Equipment	59,379	-	-	59,379
	<u>\$ 423,552</u>	<u>\$ 6,432</u>	<u>\$ -</u>	<u>\$ 429,984</u>

A summary of the proprietary fund type fixed assets at March 31, 2004 follows:

Sewer system	\$ 403,592
Less: Accumulated depreciation	(43,798)
Net Fixed Assets	<u>\$ 359,794</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 261	Recycle	\$ 148
		Tax	113
Total	<u>\$ 261</u>	Total	<u>\$ 261</u>

NOTE 6 - LONG TERM DEBT

The individual fund long-term debt of Cumming Township, and the changes therein, may be summarized as follows:

<u>SEWER FUND</u>	<u>April 1, 2003</u>	<u>Additions (Reductions)</u>	<u>March 31, 2004</u>
1998 Special Assessment Sewer Bond, payable in principal installments on October 1 of each year. Interest at 4.5% payable on April 1 and October 1	\$ 115,725	\$ (10,000)	\$ 105,725

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 6 - LONG TERM DEBT (Continued)

The annual principal and interest requirements through maturity for all bonded debts outstanding as of March 31, 2004 are as follows:

<u>YEAR ENDED</u> <u>MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005	\$ 10,000	\$ 4,533
2006	10,000	4,083
2007	10,000	3,633
2008	11,000	3,160
2009	10,000	2,688
2010-2017	54,725	7,907
Total	<u>\$ 105,725</u>	<u>\$ 26,004</u>

NOTE 7 - PENSION PLAN

The Township of Cumming contributes to the Cumming Township Group Pension Investment Plan, which is a defined contribution pension plan with the Manufacturers Life Insurance Company (Manulife).

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's accounts, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Township Board members are eligible to participate in the plan immediately after they take office. Contributions made by an employee and the township vest immediately. An employee that leaves the employment of the township is entitled to his or her account balance consisting of employee and township contributions, as well as earnings in the account.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 7 - PENSION PLAN (Continued)

The contract requires contributions based on annual salary as follows:

	<u>Annual Salary</u>	<u>Contribution</u>
Class 1	\$ 499 or less	\$ 100
Class 2	500 - 999	200
Class 3	1,000 - 1,499	300
Class 4	1,500 - 1,999	400
Class 5	2,000 - 2,499	500
Class 6	2,500 - 2,999	600
Class 7	3,000 - 3,499	700
Class 8	3,500 - 3,999	800
Class 9	4,000 - 4,499	900
Class 10	4,500 - 4,999	1,000
Class 11	5,000 - 5,499	1,100
Class 12	5,500 - 5,999	1,200
Class 13	6,000 - 6,499	1,300
Class 14	6,500 - 6,999	1,400

The individual must contribute 25% of the required annual contribution. The township is required to contribute the remaining 75% plus the contract fee and participant fee.

The coverage for the year is as follows:

Employer contributions	\$ 4,500
Employee contributions	1,495
Administration fees	262
	\$ 6,257

Wages covered by the pension plan for the year were \$31,663. Total wages for the fiscal year were \$34,855.

No pension plan provision changes occurred during the year that affected the required contributions to be made by the township or its employees.

Manulife held no securities of the township or other related parties during the year or as of the close of the fiscal year.

CUMMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 8 - RISK MANAGEMENT

Cumming Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last 3 fiscal years.

NOTE 9 - SEWER SYSTEM

The Township constructed a sewer line on M-33 connecting to the City of Rose City sewer system. Funding for the project is detailed below:

Community Development Block Grant	\$ 125,000
U. S. Department of Agriculture - Rural Development	100,000
Special Assessment Sewer Bond	173,725
Local contribution	4,867
	<u>\$ 403,592</u>

The Special Assessment Sewer Bond is to be repaid from Special Assessment Roll No. 2 against benefited properties totaling \$175,370. The special assessment is to be collected over a twenty year period. The Special Assessment due for 2003 was \$7,872 plus interest of \$ 6,062.

Local contributed capital consists of the following:

Special assessments	\$ 175,370
Connection charges	10,376
Township	1
Total	<u>\$ 185,747</u>

CUMMING TOWNSHIP
COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

CUMMING TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
MARCH 31, 2004

	<u>ROAD</u>	<u>FIRE PROTECTION</u>	<u>LIQUOR LAW ENFORCEMENT</u>
ASSETS:			
Cash	\$ 91,626	\$ 42,123	\$ 2,977
Receivable:			
Taxes	44	32	-
Due from other governments	<u>15,552</u>	<u>11,353</u>	<u>-</u>
Total assets	\$ <u><u>107,222</u></u>	\$ <u><u>53,508</u></u>	\$ <u><u>2,977</u></u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ -	\$ 500	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>
FUND EQUITY:			
Fund balances:			
Unreserved	<u>107,222</u>	<u>53,008</u>	<u>2,977</u>
Total fund equity	<u>107,222</u>	<u>53,008</u>	<u>2,977</u>
Total liabilities and fund equity	\$ <u><u>107,222</u></u>	\$ <u><u>53,508</u></u>	\$ <u><u>2,977</u></u>

<u>TRANSFER/ RECYCLE CENTER</u>	<u>TOTAL</u>
\$ 62,256	\$ 198,982
27	103
<u>9,806</u>	<u>36,711</u>
\$ <u><u>72,089</u></u>	\$ <u><u>235,796</u></u>
\$ 2,038	\$ 2,538
148	148
<u> </u>	<u> </u>
<u>2,186</u>	<u>2,686</u>
<u>69,903</u>	<u>233,110</u>
<u>69,903</u>	<u>233,110</u>
\$ <u><u>72,089</u></u>	\$ <u><u>235,796</u></u>

CUMMING TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED MARCH 31, 2004

	<u>ROAD</u>	<u>FIRE PROTECTION</u>	<u>LIQUOR LAW ENFORCEMENT</u>
REVENUES:			
Taxes	\$ 63,916	\$ 46,659	\$ -
State grants	-	-	787
Charges for services	-	-	-
Interest earnings	1,262	620	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>65,178</u>	<u>47,279</u>	<u>787</u>
EXPENDITURES:			
Current:			
Public safety	-	27,968	650
Public works	<u>99,848</u>	<u>-</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>99,848</u>	<u>27,968</u>	<u>650</u>
Excess (deficiency) of revenues over expenditures	(34,670)	19,311	137
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	<u>-</u>	<u>(15,000)</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures and other uses	(34,670)	4,311	137
FUND BALANCES - APRIL 1	<u>141,892</u>	<u>48,697</u>	<u>2,840</u>
FUND BALANCES - MARCH 31	\$ <u><u>107,222</u></u>	\$ <u><u>53,008</u></u>	\$ <u><u>2,977</u></u>

<u>TRANSFER/ RECYCLE CENTER</u>	<u>TOTAL</u>
\$ 40,300	\$ 150,875
-	787
7,683	7,683
182	2,064
<u>48,165</u>	<u>161,409</u>
-	28,618
<u>38,517</u>	<u>138,365</u>
<u>38,517</u>	<u>166,983</u>
9,648	(5,574)
<u>-</u>	<u>(15,000)</u>
9,648	(20,574)
<u>60,255</u>	<u>253,684</u>
\$ <u><u>69,903</u></u>	\$ <u><u>233,110</u></u>

CUMMING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 65,600	\$ 63,916	\$ (1,684)
Interest earnings	<u>300</u>	<u>1,262</u>	<u>962</u>
Total revenues	<u>65,900</u>	<u>65,178</u>	<u>(722)</u>
EXPENDITURES:			
Public works	<u>101,025</u>	<u>99,848</u>	<u>1,177</u>
Excess (Deficiency) of revenues over expenditures	(35,125)	(34,670)	455
FUND BALANCE - APRIL 1	<u>131,211</u>	<u>141,892</u>	<u>10,681</u>
FUND BALANCE - MARCH 31	\$ <u><u>96,086</u></u>	\$ <u><u>107,222</u></u>	\$ <u><u>11,136</u></u>

CUMMING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE PROTECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 47,900	\$ 46,659	\$ (1,241)
Interest earnings	225	210	(15)
Charges for services			-
Rent			-
Miscellaneous	<u>1,600</u>	<u>410</u>	<u>(1,190)</u>
Total revenues	<u>49,725</u>	<u>47,279</u>	<u>(2,446)</u>
EXPENDITURES:			
Public safety	<u>29,925</u>	<u>27,968</u>	<u>1,957</u>
Excess (deficiency) of revenues over expenditures	19,800	19,311	(489)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	4,800	4,311	(489)
FUND BALANCE - APRIL 1	<u>59,023</u>	<u>48,697</u>	<u>(10,326)</u>
FUND BALANCE - MARCH 31	\$ <u><u>63,823</u></u>	\$ <u><u>53,008</u></u>	\$ <u><u>(10,815)</u></u>

CUMMING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIQUOR LAW ENFORCEMENT FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
State grants	\$ 807	\$ 787	\$ (20)
EXPENDITURES:			
Public safety	<u>700</u>	<u>650</u>	<u>50</u>
Excess (deficiency) of revenues over expenditures	107	137	30
FUND BALANCE - APRIL 1	<u>3,068</u>	<u>2,840</u>	<u>(228)</u>
FUND BALANCE - MARCH 31	\$ <u><u>3,175</u></u>	\$ <u><u>2,977</u></u>	\$ <u><u>(198)</u></u>

CUMMING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSFER/RECYCLE CENTER FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes	\$ 41,350	\$ 40,300	\$ (1,050)
Charges for services	7,000	7,683	683
Interest earnings	300	182	(118)
Other	<u>25</u>	<u>-</u>	<u>(25)</u>
Total revenues	<u>48,675</u>	<u>48,165</u>	<u>(510)</u>
EXPENDITURES:			
Public Works	<u>41,500</u>	<u>38,517</u>	<u>2,983</u>
Excess (deficiency) of revenues over expenditures	7,175	9,648	2,473
FUND BALANCE - APRIL 1	<u>75,852</u>	<u>60,255</u>	<u>(15,597)</u>
FUND BALANCE - MARCH 31	\$ <u><u>83,027</u></u>	\$ <u><u>69,903</u></u>	\$ <u><u>(13,124)</u></u>

CUMMING TOWNSHIP
STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
CURRENT TAX FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>CURRENT TAX COLLECTION FUND</u>			
	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2004</u>
ASSETS:				
Cash	\$ <u>318</u>	\$ <u>570,331</u>	\$ <u>570,536</u>	\$ <u>113</u>
Total assets	\$ <u><u>318</u></u>	\$ <u><u>570,331</u></u>	\$ <u><u>570,536</u></u>	\$ <u><u>113</u></u>
LIABILITIES				
Refunds	\$ -	\$ 138	\$ 138	\$ -
Due to other funds	318	170,456	170,661	113
Due to County	-	134,848	134,848	-
Due to COOR	-	16,053	16,053	-
Due to KCC	-	41,000	41,000	-
Due to Library	-	5,937	5,937	-
Due to Schools	-	201,899	201,899	-
Total liabilities	\$ <u><u>318</u></u>	\$ <u><u>570,331</u></u>	\$ <u><u>570,536</u></u>	\$ <u><u>113</u></u>

CUMMING TOWNSHIP
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
CURRENT:			
LEGISLATIVE			
Township Board	\$ 15,000	\$ 15,945	\$ (945)
GENERAL GOVERNMENT			
Supervisor	12,500	4,004	8,496
Elections	3,000	721	2,279
Assessor	9,000	7,855	1,145
Clerk	9,500	7,983	1,517
Board of review	1,600	1,192	408
Treasurer	10,000	8,547	1,453
Township hall	15,000	9,249	5,751
Retirement	7,500	5,144	2,356
Total general government	<u>68,100</u>	<u>44,695</u>	<u>23,405</u>
PUBLIC WORKS			
Highways and streets			
Streets lighting	<u>4,500</u>	<u>3,717</u>	<u>783</u>
Total public works	<u>4,500</u>	<u>3,717</u>	<u>783</u>
CULTURE AND RECREATION			
Library	-	220	-
Recreation	-	800	-
Total culture and recreation	<u>1,000</u>	<u>1,020</u>	<u>(20)</u>
CAPITAL OUTLAY	<u>10,000</u>	<u>6,432</u>	<u>3,568</u>
Total expenditures	\$ <u>98,600</u>	\$ <u>71,809</u>	\$ <u>26,791</u>

APPENDIX



Rodney C. Robertson, CPA
Robert J. Carpenter, CPA

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CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

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Other office: Mio, Michigan

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 27, 2004

Township Board
Cumming Township
Ogemaw County, Michigan

We have audited the general purpose financial statements of Cumming Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cumming Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cumming Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Cumming Township, Ogemaw County, Michigan, in a separate letter dated July 27, 2004.

This report is intended for the information and use of the Township Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter, LLP, CPA's



Rodney C. Robertson, CPA
Robert J. Carpenter, CPA

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July 27, 2004

Township Board
Cumming Township
Ogemaw County, Michigan

Dear Board Members:

We have completed the audit of the financial statements of the Township of Cumming for the year ended March 31, 2004. As part of our audit, we submit for your consideration certain comments and recommendations which we feel would improve your overall accounting and financial control system for the township.

BUDGETING

Public Act 621 prohibits expenditures in excess of amounts budgeted. There were a few instances where the budget was not amended as required by P. A. 621 as listed in Note 2 of the audit report. The actual results should be compared to the budget periodically and the budget amended as needed.

GENERAL LEDGER

The general ledger was not in balance at March 31, 2004 due to posting errors. The revenue and expenditure controls should be reconciled monthly to the totals of the revenue and expenditure detail accounts in the ledger. A trial balance tape should be calculated monthly for each fund to assure all funds are in balance.

OVERVIEW

We wish to express our appreciation for the courtesy and cooperation extended to us by township officials during the audit. If we can be of further assistance, please contact us.

Sincerely,

Robertson & Carpenter, LLP, CPAs

ROBERTSON & CARPENTER, LLP
Certified Public Accountants